

---

Worldwide Threat Assessment Brief  
to the Senate Select Committee on Intelligence  
Statement for the Record  
22 February 1996

John Deutch  
Director of Central Intelligence

---

Mr. Chairman, I am here today to outline the threats to the United States and its interests now and into the next century.

We still call this the post-Cold War world. Among the opportunities and challenges of our time, there is not yet one dominant enough to define the era on its own terms and give it a name. Looking beyond our borders, we see much that is uncertain:

- The stability of many regions of the world is threatened by ethnic turmoil and humanitarian crises.
- Two great powers, Russia and China, are in the process of metamorphosis and their final shape is still very much in question.
- Free nations of the world are threatened by rogue nations -
  - Iran, Iraq, North Korea, and Libya, that have built up significant military forces and seek to acquire weapons of mass destruction.
- The world community is under assault from those who deal in proliferation of weapons of mass destruction, terrorism, drugs and crime.

PLEASE CHECK THE APPROPRIATE BLOCK BELOW:

AO # M96-08-2064

☒ 1 copies are being forwarded. Indicate whether Statement A, B, C, D, E, F, or X applies.

☒ DISTRIBUTION STATEMENT A: *Per Rachel Apple*  
APPROVED FOR PUBLIC RELEASE: DISTRIBUTION IS UNLIMITED

☐ DISTRIBUTION STATEMENT B:  
DISTRIBUTION AUTHORIZED TO U.S. GOVERNMENT AGENCIES ONLY; (Indicate Reason and Date). OTHER REQUESTS FOR THIS DOCUMENT SHALL BE REFERRED TO (Indicate Controlling DoD Office).

☐ DISTRIBUTION STATEMENT C:  
DISTRIBUTION AUTHORIZED TO U.S. GOVERNMENT AGENCIES AND THEIR CONTRACTORS; (Indicate Reason and Date). OTHER REQUESTS FOR THIS DOCUMENT SHALL BE REFERRED TO (Indicate Controlling DoD Office).

☐ DISTRIBUTION STATEMENT D:  
DISTRIBUTION AUTHORIZED TO DoD AND U.S. DoD CONTRACTORS ONLY; (Indicate Reason and Date). OTHER REQUESTS SHALL BE REFERRED TO (Indicate Controlling DoD Office).

☐ DISTRIBUTION STATEMENT E:  
DISTRIBUTION AUTHORIZED TO DoD COMPONENTS ONLY; (Indicate Reason and Date). OTHER REQUESTS SHALL BE REFERRED TO (Indicate Controlling DoD Office).

☐ DISTRIBUTION STATEMENT F:  
FURTHER DISSEMINATION ONLY AS DIRECTED BY (Indicate Controlling DoD Office and Date) or HIGHER DoD AUTHORITY.

☐ DISTRIBUTION STATEMENT X:  
DISTRIBUTION AUTHORIZED TO U.S. GOVERNMENT AGENCIES AND PRIVATE INDIVIDUALS OR ENTERPRISES ELIGIBLE TO OBTAIN EXPORT-CONTROLLED TECHNICAL DATA IN ACCORDANCE WITH DoD DIRECTIVE 5230.25, WITHHOLDING OF UNCLASSIFIED TECHNICAL DATA FROM PUBLIC DISCLOSURE, 6 Nov 1984 (Indicate date of determination). CONTROLLING DoD OFFICE IS (Indicate Controlling DoD Office).

☐ This document was previously forwarded to DTIC on \_\_\_\_\_ (date) and the AD number is \_\_\_\_\_.

☐ In accordance with provisions of DoD instructions, the document requested is not supplied because:

☐ It will be published at a later date. (Enter approximate date, if known).

☐ Other. (Give Reason)

**DTIC QUALITY INSPECTED 4**

DoD Directive 5230.24, "Distribution Statements on Technical Documents," 18 Mar 87, contains seven distribution statements, as described briefly above. Technical Documents must be assigned distribution statements.

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Authorized Signature/Date

\_\_\_\_\_  
Telephone Number

--And the interdependence of the world economy has made us more vulnerable to economic shocks beyond our borders.

The strategic threat to our continent is reduced, but the potential for surprise is greater than it was in the days when we could focus our energies on the well-recognized instruments of Soviet power.

No one challenge today is yet as formidable as the threat from the former Soviet Union. If nurtured by neglect on our part, these new challenges could expand to threaten the growth of democracy and free markets. All the tools of national security -- diplomacy, the military, and intelligence -- must remain sharp.

It is the task of the Intelligence Community to provide policymakers and military commanders with early warning of emerging problems -- warning that can allow us to avoid crisis or military conflict. We must continuously monitor and assess the threats so that our leaders can manage them wisely. It is also our responsibility, as the nation's first line of defense, to help counter emerging threats so that the next generation does not confront them in a vastly more dangerous and intractable form. Mr. Chairman, the mission of intelligence is clear.

### World Survey

I would like to highlight some countries of the world that are currently of concern to the United States. Because of limited time and the unclassified nature of this briefing, this is not meant to be a comprehensive list.

The Indian Subcontinent. The relationship between India and Pakistan continues to be unsatisfactory and the potential

for conflict is high. Each of these nations possess nuclear capability, so every effort must be made to avoid military confrontation. India is making preparation for a nuclear test, and we assume that if one nation conducts a test, the other will follow. We are especially concerned about Pakistani efforts, some in cooperation with China, to acquire nuclear technology.

China. China is emerging as a major economic, political, and military actor in East Asia and the world in the next decade; but, we still know very little about Beijing's future leadership and intentions.

Deng Xiaoping, at the age of 91, is in frail health and no longer involved in daily decisionmaking. Power has largely passed to a new generation of leaders in their sixties. No single leader, however, including President and party chief Jiang Zemin, appears in a position to dominate the Chinese political scene as Deng has for the last 15 years.

Beijing is proceeding with economic reform without moving toward democratization or increasing respect for human rights. China has one of the world's most rapidly expanding economies, although Beijing has taken steps to control economic overheating and dampen inflation. These measures slowed the increase in Gross Domestic Product from nearly 14 percent in 1993 to under 10 percent in 1995. The regime still faces tough policy choices, such as how far to push reform of deficit-ridden state enterprises, and how to extract and retain more taxes from the reluctant localities.

Economic expansion has facilitated Beijing's military modernization drive, allowing the purchase of foreign armaments. Since 1992, for example, Beijing has purchased from Russia 26 SU-27 fighters, two Kilo attack submarines and

several battalions of Patriot-class SA-10 SAMS. Meanwhile, China continues to provide inappropriate weapons and military technology assistance to other countries.

This new military strength is changing the region's security environment. Chinese military exercises in the Taiwan Strait have increased tensions and raised serious questions about Beijing's intentions.

North Korea. Under Kim Chong-il, North Korea remains isolated, xenophobic, militaristic, and resistant to reform and its hostility toward the South is unabated. Since the early 1980s, P'yongyang has devoted perhaps a quarter of its Gross National Product to building a 1.1 million-man military machine. The army's force structure, deployment, and training emphasize offensive operations and it is positioned and equipped to launch an aggressive attack southward with little or no warning. Late last year North Korea deployed numerous combat aircraft to bases near the DMZ, and since the early 1990s, it has deployed long-range artillery and rockets near the DMZ, threatening Seoul and reducing allied warning time.

While the military buildup continues, North Korea's economy is in a downward spiral that will be difficult to reverse. The best harvests fall far short of needs and food shortages are widespread. China continues to provide vital commodities such as oil and food on concessionary terms, despite P'yongyang's large and growing trade debt. Nevertheless, last year for the first time P'yongyang was forced to accept food aid from traditional enemies, including Japan and South Korea, to fill nearly half of its estimated food shortfall of more than 2 million tons.

The regime is thus far unwilling to take the steps necessary to improve economic conditions. P'yongyang

continues to reject economic reform and is likewise unwilling to divert resources away from the military. Indeed, North Korea's large conventional force is a organ of internal security that is critical to the survival of the Kim Chong-il regime.

Without deep cuts in military outlays, market-based reform, or significant new economic aid, the economy will probably continue to deteriorate and the decline in living standards will further undermine social stability. The North will find it harder to maintain military capabilities, and to insulate the armed forces from worsening economic problems. If food shortages should spread to front-line military units, it could undermine regime stability.

Russia. Free elections are becoming the ultimate arbiter of political power in Russia. The Russian people now have the right to worship, to seek information, and to assemble for political purposes without fear. Increasingly, more Russians have a stake in the growth of a market economy. Russia is slowly entering the community of free nations. We believe that most Russians want to hold onto these gains.

Nevertheless, Russia's new democratic institutions are fragile; market reforms have brought hardships that have disillusioned many Russians; and, new-found freedoms are not secure. With reformers divided among themselves, December's parliamentary elections put Communists and extreme nationalists in charge of the Duma.

We are concerned by the course of events in Chechnya. In that troubled part of Russia, Moscow is becoming mired in a bloody counterinsurgency that could spread to other parts of the Caucasus.

We are concerned also that Russia last year agreed to supply nuclear reactors to Iran, and that Moscow is now pressing the United Nations to lift sanctions against Iraq. Russia also appears to be moving toward closer relations with China. President Yel'tsin has announced that he will visit China early this year, and Moscow appears to have expanded its sale of weapons and military technologies to Beijing.

The June presidential election will be an important juncture in the brief history of democratic Russia. Should the Russian people choose a Communist or hard-line nationalist, further progress toward democracy and economic reform would be in question. Even if a hard-line government takes power, however, Russia is not likely to be transformed back into the Soviet Union.

Moreover, the Russian military, struggling to cope with numerous problems, is not likely to regain its former strength. All Russian services are experiencing cutbacks in manpower, training, resources, and readiness, and they are uncertain about their future organization and missions. Overall manpower has declined to well under its authorized 1.7 million and current military production is a fraction of what it was under Soviet power. Much needed reforms languish. The morale of Russian soldiers and junior officers is bad and getting worse.

We cannot forget, however, that Russia still possesses a formidable nuclear arsenal. Moscow maintains high levels of readiness throughout its strategic forces, and it continues modernization programs, including a follow on missile for the SS-25 ICBM. Political instability, weak civilian control over the military, economic deterioration, corruption, and a general pervasiveness of crime, raise concerns about the control, security, and accountability of the former Soviet nuclear arsenal.

The Middle East is the second region of the world that is most unstable and presents the greatest threats to US security.

Five years after the Gulf war, Saddam Husayn is unrepentant over Iraq's invasion of Kuwait, determined to regain regional dominance, and bent on preserving elements of his special weapons programs. While his army has been diminished by the Gulf war and UN sanctions, and hobbled by deteriorating equipment and a shortage of spare parts, it remains the largest force in the Gulf region, with 2,000 tanks and 300 combat aircraft. It was brutally effective in suppressing the small Shia insurgency in southern Iraq. Baghdad is determined to reconstitute its weapons of mass destruction programs and to deceive the rest of the world about its activities. In the wake of the defection of Husayn Kamel last August, Iraq turned over some 147 crates of documents, previously withheld from the UN, that revealed substantial new information on Iraq's intentions, including a crash effort in 1990 to produce a nuclear weapon using safeguarded enriched uranium. The return of Husayn Kamel to Iraq on Tuesday does nothing to mitigate the damage he has inflicted on Iraq's programs to develop weapons of mass destruction and his exposure of Iraq's blatant disregard for United Nations resolutions and weapons inspections.

Baghdad recently announced a series of drastic austerity measures intended in part to create more revenue for a government weakened by UN sanctions and heavily burdened by the lavish lifestyles of its inner circle and perks for its vast security services. The pressures on Saddam's regime (list) could bring about its sudden and violent collapse.

Iran continues to divert scarce economic resources to its military buildup and to flout accepted standards of

international behavior. Tehran actively supports terrorism and political violence, opposes the Middle East peace process, and abuses human rights at home. Since 1989, Iran has murdered at least 48 regime opponents abroad, provided up to \$100 million annually to the Lebanese Hizballah--a group responsible for the killing of over 250 Americans--and refused to repeal the religious judgment condemning British author Salman Rushdie to death.

We see no indication that Iran will moderate its behavior following the coming parliamentary and presidential elections, respectively scheduled for March 1996 and mid-1997. The Iranian leadership is attempting to paper over its crisis of performance -- falling living standards, pervasive corruption, and lack of political reform -- and to rally an increasingly apathetic, restive population by blaming 'outside forces', chiefly the United States -- a strategy that could lead to a more aggressive foreign policy.

Bosnia. Let me turn now to Europe and the conflict in Bosnia. Over the last few years, the Intelligence Community has compiled a tremendous record in supplying our policymakers with vital information on the situation in Bosnia. Today, our main task is force protection for US and allied troops that compose IFOR as they implement the provisions of the Dayton Agreement. Here in Washington, we have drawn experts from across the Intelligence Community to work on the Balkan Task Force, which is on duty round-the-clock to collect and analyze information, and to answer questions from policymakers and the military. The Intelligence Community provides information that informs policy decisions and has helped to uncover war crimes. In Europe, National Intelligence Support Teams are deployed with our troops, to put at their immediate disposal all of the expertise and technical resources of the Intelligence Community. Intelligence officers provide accurate, detailed

maps and information on the terrain, the location of mines and potentially hostile forces, including outside forces that could pose a danger. All of this material is tailored to the needs of individual commanders and it is shared, as appropriate, with allied forces. Intelligence has been instrumental in helping this operation to run smoothly, despite the weather, the complex mix of ethnic groups, and the need to coordinate actions with forces from a number of other countries.

At the same time, the Intelligence Community is working to assess the long-term challenges to a durable peace in Bosnia, including political, economic, and demographic factors, as well as the influence of outside forces.

In the Mediterranean, tensions are high between Greece and Turkey. The crisis two weeks ago over ownership of two small islets between the two countries reminds us how volatile the situation is between these two members of NATO.

Africa. Moving on to Africa, there are two countries cause us particular concern.

Libya has steadfastly refused to abide by the terms of UN sanctions imposed on Tripoli in the wake of its involvement in the downing of Pan Am 103. Qadhafi has a firm hold on power but relies heavily on his security forces to suppress sporadic violent unrest by a growing Islamic opposition and rival tribes.

Sudan has emerged as a clear threat to the stability of nearby African and Middle Eastern states because of its support for subversive activities of regional opposition groups. This threat is likely to remain as long as the National Islamic Front (NIF) is the dominant political force

in the country. In its effort to spread its version of Islamic fundamentalism beyond Sudan and destabilize regional moderate governments friendly to the United States, the NIF supports insurgent and terrorist groups opposed to the governments of Egypt, Eritrea, Ethiopia, and Uganda. Sudan also provides safehaven and limited material support to other radical groups such as Hizballah, HAMAS, the Abu Nidal Organization, and the armed Algerian extremist groups. The Ethiopian government has publicly accused Sudan of providing refuge to three of the suspects wanted for the June 1995 assassination attempt against Egyptian President Mubarak in Addis Ababa. The Khartoum regime's repressive internal policies against the Sudanese people, particularly non-Muslim southerners, adds fuel to the 13-year-old civil war in southern Sudan, which has displaced millions of people.

Let me turn now to our own hemisphere.

Mexico is in a process of political and economic transition. The peso crisis has abated, but Mexico is still experiencing a deep economic slowdown that has lowered living standards and magnified growing public frustration with the ruling Institutional Revolutionary Party (PRI). With 50 percent inflation, economic contraction, and the loss of 1 million jobs in the formal economy, the ruling party lost considerable ground to the opposition in elections held last year. Recurrent allegations of complicity by officials of the previous administration in several political assassinations as well as ongoing revelations of corruption by former government officials have marred efforts by President Zedillo to rebuild confidence.

In Haiti, former President Jean Bertrand Aristide has turned over the reins of power to President Rene Preval, marking the first transition of power between democratically elected leaders in the country's 192-year history. Haiti's

nascent democracy remains vulnerable in the years ahead. The Haitian economy is in dismal shape and much of the populace is unemployed and living in extreme poverty. The government will be sorely tested on both the economic and security fronts. It faces difficult and unpopular economic decisions to get the country back on its feet, and has a new and inexperienced police force to control crime and potential political violence from both the extreme right and the extreme left.

In Cuba, the Castro regime has used a mix of austerity and economic reform to arrest the decline brought on by the loss of Soviet and East European assistance, but the potential for instability remains. Havana's own reforms have caused new economic strains, including wider income disparities and the prospect of greatly increased unemployment. Cubans are expected to do more for themselves, slightly loosening the government's hold on their lives and fostering more independent thought that could produce a stronger constituency for change. The death or departure of Fidel Castro, now 69, would place the system he created on new and possibly unstable ground. Even with Castro, the potential for greater strains exists, either among elites who differ over the pace and scope of reform or between the security forces and a population weary of austerity.

Latin America. A variety of developments in Latin America could pose difficult challenges and choices for Washington, particularly in the long run. Despite recent setbacks in Colombia, narcotics traffickers show no signs of scaling down their level of activity. Their use of payoffs and intimidation will continue to give them significant leverage over governmental leaders at the national and local levels. Additionally, although the region has made great economic strides over the past several years, income disparities remain immense, and the United States will remain

a magnet for illegal migrants, especially from nearby Caribbean Basin nations.

Transnational Issues. Now I would like to turn to the transnational challenges that we face. Terrorists, organized criminals, and traffickers in drugs and weapons cross easily over international borders and blur the lines that once divided domestic and international threats. To meet these new challenges, we must find the most effective way to harmonize the unique talents and resources of law enforcement and intelligence. The law enforcement community has tremendous investigative skills and techniques. The Intelligence Community has a vast foreign collection effort that includes advanced technical systems and human sources of intelligence. By emphasizing cooperation and coordination of efforts, we can bring all of our skills to bear against transnational threats and minimize costly and time-consuming duplication of effort. Effective, extensive, and routine cooperation between intelligence and law enforcement will profoundly improve our nation's security in the post-Cold War world. Recent experience has proven that when intelligence and law enforcement cooperate effectively, we can be spectacularly successful.

Proliferation. Of the transnational issues, the proliferation of weapons of mass destruction and advanced conventional weapons systems pose the gravest threat to national security and to world stability. At least 20 countries have or may be developing nuclear, chemical, biological weapons and ballistic missile systems to deliver them.

- The nuclear weapons programs of several countries cause us great concern. For example, Iran is now developing its nuclear infrastructure and the means to hide nuclear

weapons development. Cooperation with Russia and China -- even carried out legally under international safeguards -- could substantially aid Iran's nuclear weapons efforts. Iran remains years away from producing a nuclear weapon, but extensive foreign assistance could shorten the timeframe. We are also monitoring a potential nuclear arms race in South Asia. India appears to be planning an underground nuclear test. Last month it test-fired an improved short-range ballistic missile. Prime Minister Bhutto has hinted that Pakistan might conduct a nuclear test in response to an Indian test.

- Chemical Weapons programs are active in eighteen countries, including most major states of the Middle East. Libya, for example, is now building the world's largest underground chemical weapons plant in a mountain near Tarhunnah. Chemical weapons countries are also developing more and longer range delivery systems, including ballistic and cruise missiles and UAVs.
- Biological Weapons, often called the poor man's atomic bombs, are also on the rise. Small, less developed countries are often eager to acquire such weapons to compensate on the cheap for shortcomings in conventional arms. Small quantities of precursors, available on the open market, can produce a deadly chemical or biological weapon.
- Ballistic missile systems that can deliver nuclear, chemical, or biological warheads are available to more countries. China, North Korea, the industrialized states in Europe and South America, several Third World countries, and private consortiums, supply ballistic missile technology -- and in some cases entire missile systems -- to developing countries around the world. North Korea, for

example, has sold its SCUD B's and C's -- with a range of 300 and 500-km respectively -- to Iran, Libya, Syria and other countries. P'yongyang is now developing a 1,000-km No Dong missile that could be deployed in the near future. A Taepo Dong missile, which could reach as far as Alaska, is in development and could be operational after the turn of the century.

- Advanced Conventional Weapons and technologies such as stealth, propulsion, and sensors are allowing countries such as North Korea and Iran to accelerate their military modernization. Such weapons could inflict significant casualties on US forces or regional allies in future conflicts.

All of these programs are aided through the illegal export of controlled equipment, technology, and materials, including dual-use items, and through indigenous research and development.

In confronting proliferation, the first task of intelligence is to discover the hidden plans and intentions of countries of concern well before we have to confront the devastating power of the weapons themselves. The Intelligence Community, for example, was instrumental in uncovering North Korea's nuclear ambitions, its violation of safeguards, and its production of enough plutonium for at least one and possibly two nuclear weapons. We are now monitoring North Korea's compliance with the October 1994 US-DPRK Agreed Framework, freezing P'yongyang's nuclear program. Fifteen months after the agreement, North Korea has not refueled its 5 Mwe reactor at Yongbyon or operated its reprocessing plant and it has halted construction on two larger reactors.

Once weapons of mass destruction programs have come to light, then it is the task of intelligence to support arms control negotiations, to monitor compliance with treaties and control regimes, including the Nuclear Nonproliferation treaty and the Chemical Weapons Convention, and to uncover violations of sanctions. For example, sanctions imposed by the UN have done much to contain Saddam and steadily weaken his regime. The Intelligence Community has been very active in the effort to assure that these sanctions continue to be effective. Without an effective, long-term monitoring program by the UN, however, Baghdad could use its large pool of scientific expertise, as well as hidden materials and components, to reconstitute its nuclear, chemical and biological weapons programs.

The Intelligence Community has been aggressive in its efforts to uncover hidden supply lines and stop key materials and technologies from reaching countries of proliferation concern. The US Government, in cooperation with other governments, has been able to halt the transfer of a large amount of equipment that could be used in developing nuclear weapons programs, including mass spectrometers, custom-made cable equipment, graphite materials, aluminum melting furnaces, arc-welding equipment, and a gas jet atomizer. Now is the time to prevent countries of proliferation concern from obtaining the materials and technology they need to advance their weapons of mass destruction programs. We must prevent North Korea, for example, from obtaining the guidance and control technology that could make its long range missiles accurate, as well as deadly. We must keep Iran from obtaining the foreign assistance it needs to complete a nuclear weapon. We have to keep Iraq from obtaining equipment and materials that would enhance its nuclear, chemical, and biological weapons programs. We cannot relax our efforts.

Terrorism. Let me move on now to the problem of terrorism. In the post-Cold War era, terrorists have become increasingly capable, lethal, and wide-ranging. Their operating methods and technical expertise--in bomb-making and other skills--are more sophisticated. The US Government recorded 440 international terrorism incidents in 1995, the highest total since 1991.

Terrorists attacks today are more deadly than in the past. Where once terrorists undertook relatively small operations aimed at attaining specific political objectives, today they are more likely to inflict mass casualties as a form of punishment or revenge. The bombing of the World Trade Center is an example.

We are concerned that terrorists will push this trend to its most awful extreme by employing weapons of mass destruction. Indeed, the prospects for chemical and biological terrorism will increase with the spread of dual-use technologies and expertise. Many of the technologies and materials associated with these programs have legitimate civilian or military applications. Trade in such materials cannot be banned. For example, chemicals used to make nerve agents are also used to make plastics and process foodstuffs. And any modern pharmaceutical facility can produce biological warfare agents as easily as vaccines or antibiotics. The Japanese cult Aum Shinrikyo was able to legally obtain all components needed to build the massive chemical infrastructure that produced the poison gas released in the Tokyo subway. The use of nuclear materials is less likely, but in December we saw terrorists employ radioactive material for the first time, when Chechen rebels planted radioactive material in a public park in Moscow.

The most active terrorist groups have greatly expanded the geographic scope of their operations over the last two

years. Organizations such as Lebanese Hizballah and the Egyptian group al-Gamaat al-Islamiyya have developed transnational infrastructures that they use for fund-raising, logistical support, and cooperation with other terrorist groups. These operations enable them to strike when and where they choose. For example, Egyptian extremists, who until recently had confined their major activities to Egypt, have over the past eight months attempted to assassinate President Mubarak in Ethiopia, set off a car bomb in Croatia, and bombed the Egyptian embassy in Pakistan.

In the Philippines, radical Muslim insurgents, including Abu Sayyaf Group and the larger Moro Islamic Liberation Front, have threatened to disrupt APEC meetings. These elements may be cultivating ties with foreign terrorists, who in January 1995 attempted to bomb US air carriers flying through Manila and elsewhere in East Asia.

In Turkey, terrorism and drugs combine to pose a major threat to the security and territorial integrity of this key ally. Through front organizations and drug trafficking, the Kurdistan Workers' Party (PKK) receives help for its terrorist and counterinsurgency activities from rogue states, other terrorist groups, and historical Turkish rivals.

State sponsorship remains an important part of the international terrorist threat and Iran is by far the most active and capable sponsor. Tehran appears to consider terrorism a legitimate instrument of statecraft, whether practiced by Iranian state agents or by heavily supported surrogates such as Hizballah.

We have made a concerted effort to apply human and technical intelligence to the problem of terrorism. In cooperation with friendly security services, we have had success in breaking up some terrorist cells overseas and

exploiting these opportunities to learn more about the methods and techniques being used by today's terrorists. The Intelligence Community also works closely with the FBI and other law enforcement agencies to support their efforts to investigate and prosecute terrorist crimes. We use our overseas resources to develop and follow up investigatory leads, and to help locate and facilitate the apprehension of individual terrorists. There have been several notable successes of this type over the past year, including the arrest of Ramzi Yousef, the alleged mastermind of the World Trade Center bombing.

Drug Trafficking. Like terrorism, the drug trade is becoming increasingly international and sophisticated. Drug traffickers are taking advantage of rising worldwide demand for cocaine and heroin. They are exploiting the removal of trade barriers, and finding room to operate in societies that are in the process of political or economic transition. These mafias are becoming increasingly sophisticated and flexible in their operations, using modern technology and business practices.

Cocaine supplies continue to meet the demands of the US and worldwide market. In 1995, enough coca leaf was grown to produce nearly 800 metric tons of cocaine. Despite the disruptions caused by the arrests and surrender last summer of seven of its eight top leaders, the infrastructure and operations of the Colombian Cali drug mafia remain formidable. Meanwhile, the Mexican drug lords whose organizations traffic in cocaine, heroin, and methamphetamine are becoming more powerful and a greater threat to stability in Mexico.

Illicit worldwide opium production exceeded 4,000 metric tons in 1995, enough to produce nearly 400 metric tons of heroin. Burma is the source of most of the heroin available

in the United States, but opium production in Afghanistan has skyrocketed since 1990 and Colombia has surpassed Mexico as the largest producer of opium in the Western Hemisphere. The states of the former Soviet Union are becoming a major conduit for heroin.

The production and trafficking of new drugs is also growing. Already, Mexican trafficking organizations are gaining dominance in the methamphetamine trade and Southeast Asian heroin organizations are turning to the production of methamphetamine. Drug gangs in some Central European countries are major suppliers of amphetamine to Western markets. Drug traffickers, meanwhile, are expanding their international connections, including cooperation with other criminal organizations.

Intelligence plays an important role in US counternarcotics policy. Intelligence support facilitated the arrests of Cali drug mafia chieftains last summer and aided efforts to disrupt the flow of coca products along the "Andean Airbridge" from Peru to cocaine processing laboratories in Colombia. We support US counternarcotics efforts in Thailand that disrupted the heroin trafficking operations of the notorious Burma drug lord Khun Sa. The Intelligence Community also developed an Aerial Imagery Reconnaissance Tracking and Plotting System to help the US government better manage aerial reconnaissance collection against drug traffickers.

Organized Crime. Transnational organized criminal activities are growing rapidly in every region of the world, undermining political and economic development in many countries. In Russia, organized crime is a challenge for the national leadership. Criminal groups have significant influence in strategic sectors of the economy -- including the banking sector -- and have high-level political

connections. The increasing power of organized crime threatens political stability, undermines popular confidence in government at all levels, and encourages support for hard-line politicians. The increasing sophistication, flexibility, and worldwide connections of organized crime groups help them to expand their activities and thwart law enforcement.

Intelligence is aiding law enforcement in the fight against other transnational criminal threats. US intelligence, for example, contributed to the arrest of Gloria Canales, who headed a major alien smuggling network in Latin America.

Economic Security. Earlier I spoke of the interdependence of the world economy. Economic security has become an integral part of our national security. Accordingly we increasingly focus economic intelligence efforts on warning of key risks to American economic interests. We monitor threats to international financial stability and US interests. We alert policymakers when foreign firms use questionable business practices, such as bribery, to disadvantage US firms. Economic intelligence reporting helps us expose activities that may support terrorism, narcotics trafficking, proliferation, and grey arms dealing. Finally, as I mentioned earlier, we also monitor compliance with economic sanctions. In all of these areas, there is a tremendous demand from senior policymakers for the information we provide.

Security of Information systems. Allow me to turn now to a transnational threat that is, at present, difficult to measure -- the threat of attack against our information systems and information-based infrastructures. Hackers, criminal groups, and foreign intelligence services consider these systems lucrative targets, as evidenced by the growing

number of intrusions into corporate and financial information systems. While intelligence sources have only identified a handful of countries that have instituted formal information warfare programs, I am concerned that the threat to our information systems will grow in coming years as the enabling technologies to attack these systems proliferate and more countries and groups develop new strategies that incorporate such attacks.

Our efforts to identify and characterize the threat are continuing. I am encouraged by our progress over the past year. We are developing cooperative efforts within the community, and establishing valuable links with other agencies outside the Community and outside government. We have a lot more to do, however. We must identify sufficient resources to work on this problem and work through many of the legal and regulatory obstacles to collecting needed intelligence.

Environment. Now I would like to turn to the growing threat of environmental degradation. A deteriorating environment can not only affect the political and economic stability of nations, it can also pose global threats to the well-being of mankind. Intelligence has an important role to play in our efforts to deal with these threats. We support the negotiation and implementation of environmental agreements and we use imagery from existing systems to support the work of the scientific community and other government agencies in their efforts to understand global environmental phenomena.

For example, intelligence analysis, drawing on imagery and signals intelligence, has played a critical role in curbing a black market in ozone-depleting CFCs. This and other intelligence support has contributed to the successful

negotiation and implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer.

In 1992, at the urging of then Senator, now Vice President Gore, the CIA established an Environmental Task Force (ETF) to pursue opportunities for exploiting the technical assets of the Intelligence Community to address environmental problems. To support this task force, we set up a group of about 60 cleared US scientists, known as MEDEA. MEDEA found that a relatively modest commitment of resources, combined with information collected from technical intelligence assets already in place, could yield dividends for environmental scientists. MEDEA also found that historical imagery from our early satellite systems could provide a more accurate picture of climate change over time.

Environmental intelligence also supports our military forces when they are employed in humanitarian emergencies and peacekeeping situations. In the Gulf War, for example, analysis of intelligence imagery helped our forces avoid the toxic fumes generated by Iraqi-set oil fires in Kuwait. The Intelligence Community also addresses environmental damage associated with past Soviet military activities, the implications of regional resource changes, and the environmental consequences of foreign economic development.

We also provide valuable information to the Federal Emergency Management Agency. Maps and other information from intelligence assets allow FEMA to cope faster and more effectively with natural disasters.

Conclusion. What I have just given you is an abbreviated list of the threats to our national security today.

I would like to conclude by saying that intelligence is an integral part of an effective national security structure. It does not and should not work in isolation. In recent years the Intelligence Community has strongly emphasized the need to know our intelligence consumers better so that we can provide information that makes a difference to policy, to diplomacy, to the conduct of military operations, and, ultimately, to the security of the American people. I believe that intelligence is especially critical now. Policymakers, dealing with a shifting menu of international crises, need fast and reliable information on current conflicts, and advance warning of emerging problems. A smaller US military, required to take on new challenges in remote and unfamiliar areas of the world, needs detailed and accurate intelligence on the ground and at the highest levels of decision-making. Law enforcement, which must increasingly deal with foreign-based threats to American cities, needs our analytical and collection support more than ever. Mr. Chairman, the Intelligence Community is determined to meet these needs and to earn and keep the trust of the Congress and the American people. Thank you.